

WILKINSON ) BARKER ) KNAUER ) LLP

1800 M STREET, NW  
SUITE 800N  
WASHINGTON, DC 20036  
TEL 202.783.4141  
FAX 202.783.5851  
WWW.WBKLaw.COM  
L. CHARLES KELLER  
DIRECT 202.383.3414  
CKELLER@WBKLAW.COM

January 25, 2017

**VIA ECFS**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 Twelfth Street, SW  
Washington, DC 20554

Re: *Notice of Ex Parte Presentation - Connect America Fund Phase II (WC  
Docket No. 10-90)*

Dear Ms. Dortch:

Today, Hughes Network Systems (“Hughes”) met with Jay Schwartz of the Office of Chairman Ajit Pai to discuss the Connect America Fund Phase II competitive bidding rules in the above-referenced docket. Hughes was represented by Jennifer A. Manner, Senior Vice President, Regulatory Affairs, and undersigned counsel. The discussion in the meeting followed the attached talking points, which were distributed in the meeting.

Sincerely,

/s/ L. Charles Keller  
L. Charles Keller

cc: Jay Schwartz (email, w/ attach.)



**Hughes Network Systems**  
**Connect America Fund Phase II**  
**January 2017**

- The Commission should make finalizing rules for the CAF Phase II auction a goal for its first 100 days following the Administration change.
  - “I had hoped to follow through much more quickly on our five-year-old promise to adopt these competitive bidding rules.” Pai Statement, FCC 16-64.
  - “I welcome my colleagues’ support in getting the second phase of the Connect America Fund back on track by fleshing out the mechanics of the competitive bidding process.... I hope ... we can finalize these auction rules in the near term and commence the statewide elections and competitive bidding process within the next twelve months.” Pai Statement, FCC 14-54.
  - “[R]ural families and small businesses have already waited too long.” Pai Statement, FCC 14-190.
  - “Many consumers throughout rural America are still waiting to see the benefits promised in 2011.” O’Rielly Statement, FCC 14-54.
- The CAF Phase II auction should prioritize broad participation and bid evaluation criteria that make broadband available as widely as possible in rural areas.
  - “[W]e aim here to maximize the broadband bang we get for our universal service buck by establishing a flexible weighting system that should incentivize carriers to deploy faster service to rural America at the lowest possible price to the taxpayer.... I would have preferred to give bidders even more flexibility and incentive to offer the very best service possible to rural America.” Pai Statement, FCC 16-64.
  - “I worry, however, that the Commission may ultimately adopt weights that disproportionately favor certain technologies and place too high a reward on premium offerings.... At the end of the day, if the weighting skews the results such that a few communities receive Gigabit service, but many more have no access at all, then the auction will have failed to deliver on the promise of universal service.” O’Rielly Statement, FCC 16-64.
- The record supports a bid-ranking system that maximizes participation and breadth of broadband coverage.
  - Most commenters (including ITTA, Verizon, USTelecom, and Rural Wireless Association) agreed that weighting per tier should be modest (see attached).
  - Only comments advocating for significant weighting for gigabit tier were from fiber providers seeking to advantage their technology despite its inferior cost-effectiveness.
  - Weighting for latency also should be modest, taking into account the safeguards built into the framework.
  - Hughes also favors a first step in the weighting process to consider how much funding is available to weight bids, to allow the FCC to determine whether sufficient support is available to fund bids at the baseline service tier to all eligible locations for which bids were received. If not, the budget does not support weighting bids beyond the actual bid levels.
  - Hughes also supports a Tribal bidding credit of at least 10 percent to bids to provide service in unserved Tribal lands.
- EchoStar XIX successfully launched on December 16, 2016. Expected to enter service in first half of 2017.
  - Speed capacity of over 150 Gbps (over 130 Gbps forward capacity).
  - Full CONUS coverage.

## ATTACHMENT

### Record Favors Maximizing Participation and Deployment

Hughes's proposal for bid weighting (within the current speed tier framework):

Performance Tier	Speed	Usage Allowance	Weight
Minimum	≥ 10/1 Mbps	≥150 GB	0 (at bid amount)
Baseline	≥25/3 Mbps	≥150 GB or U.S. median, whichever is higher	-10% of bid amount
Above Baseline	≥100/20 Mbps	Unlimited	-20% of bid amount
Gigabit	≥1 Gbps/500 Mbps	Unlimited	-30% of bid amount

Latency	Requirement	Weighting
Low Latency	≤ 100 ms	-10% of bid amount
High Latency	≤ 750 ms & MOS of ≥ 4	0 (at bid amount)

Other commenters supported a similar approach:

- ITAA recognized the need to not differentiate significantly between 1 Gig and lower speeds, but urged the FCC to adopt an approach that maximizes broadband deployment in the most efficient manner.
- USTelecom proposed a similar scheme.

Performance Tier	Speed	Usage Allowance	Scoring Criteria
Minimum	10/1 Mbps	≥ 150 GB	0 Points
Baseline	25/3 Mbps	≥ 150 GB or U.S. median, whichever is higher.	10 Points
Above Baseline	100/20 Mbps	Unlimited	20 Points
Gigabit	Gig/500 Mbps	Unlimited	25 Points

- Verizon urged the FCC to set the weights with care so as to maximize the number of homes and businesses that obtain at least the baseline level of broadband from the auction. In order to maximize the number of locations served, while still recognizing the additional capabilities offered by the higher tiers, the Commission should set the weight for the baseline tier in the range of 10 percent; the weight for the above-baseline tier 10 percent above the weight for the baseline tier; and the weight for the gigabit tier 5 percent above the weight for the above-baseline tier.
  - The Rural Wireless Association supported a scheme in which the Commission assigns no weight assigned to bids committing to the “Minimum” tier; incrementally increasing weight assigned to bids committing to the “Baseline” and “Above Baseline” tiers; and no weight assigned to bids committing to the “Gigabit” tier.